

Department of Social and Health Services

DP Code/Title: M2-11 Lease Costs

Agency Wide

There are 2 Programs in this DP

Budget Period: 2001-03 Version: 22 2001-03 1st Sup Agency Request

Recommendation Summary Text:

Program(s): 060

This step is a technical correction to adjust the funding split for the Lease Costs and Centennial Building Lease Savings steps in Economic Services Administrations (ESA) final 2001-03 Biennial Budget.

Program(s): 110

Funding is requested for the Blake Office Park lease. Currently, three headquarter divisions occupy these two buildings (Administrative Services, Human Resources, and Finance).

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
001-1 General Fund - Basic Account-State	483,000	671,000	1,154,000
001-2 General Fund - Basic Account-Federal	92,000	157,000	249,000
001-A General Fund - Basic Account-DSHS Fam Support/Chi	(29,000)	(150,000)	(179,000)
001-C General Fund - Basic Account-DSHS Medicaid Federa	73,000	110,000	183,000
001-D General Fund - Basic Account-TANF (DSHS)	(349,000)	(498,000)	(847,000)
Total Cost	270,000	290,000	560,000

Staffing

Package Description:

Program(s): 060

The funding split for the Lease Costs savings step in the 2001-03 Biennial Budget was incorrect.

The Lease Costs step should have included the following funding splits:

GF-S	51.25 %
Title IV-D	17.81 %
Title XIX	12.76 %
TANF	5.75 %
Food Stamp (50%)	12.43 %

The split ESA received for Lease Costs in the 2001-03 Biennial Budget was:

GF-S	37.56 %
Title IV-D	19.87 %
Title XIX	11.57 %
TANF	21.89 %
Food Stamp (50%)	9.11 %

The Lease Costs funding split adjustment results in an increased need for General Fund-State (GF-S) of \$682,000 and an offsetting decrease in federal funds.

The funding split for the Centennial Lease Building Savings step in the 2001-03 Biennial Budget was incorrect.

The Centennial Building Lease Savings step should have included the following funding splits:

GF-S	31.99 %
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Title IV-D	5.70 %
Title XIX	8.29 %
TANF	21.56 %
Food Stamp (50%)	32.46 %

The split received for the Centennial Building Lease Savings step was:

GF-S	50.95 %
Title IV-D	3.32 %
Title XIX	13.74 %
TANF	17.06 %
Food Stamp (50%)	14.93 %

The Centennial Lease Building Savings funding split adjustment results in an increased need for GF-S of \$80,000 and an offsetting decrease in federal funds.

This technical correction will restore funding for these steps to match the cost allocation of charges to the various federal programs.

Program(s): 110

The final 2001-03 Biennium approved budget for the Department of Social and Health Services (DSHS) contained a reduction for lease costs associated with the department's occupancy of the Blake Office Park in Lacey. This occurred because the original lease cost model used for the Blake Office Park was developed in the summer of 1998. By the summer of 1999 when construction was complete, the model parameters had evolved and actual costs proved greater than the original estimate.

Staff relocation to the Blake Office complex was the result of ongoing construction projects in Office Building 2 (OB2). Because of these construction projects, the department was forced to seek long-term relocation office space for several hundred of its staff.

Narrative Justification and Impact Statement

How contributes to strategic plan:

Program(s): 060

By correctly funding the Lease Costs and Centennial Building Lease Savings costs, the Department of Social Health Services will continue to meet agencywide goals to provide customer services that are easy to access.

Program(s): 110

For the department and the division, the strategic plan and balanced scorecard center on improving business practices, partnering with our customers and clients, efficiently communicating information, and ensuring a safe environment for staff and clients. This decision package primarily addresses the last goal.

Performance Measure Detail

Program: 060

Goal: 02F Maintain safety net for people in need.

No measures submitted for package

Incremental Changes

FY 1

FY 2

Program: 110

Goal: 04K Attract, develop, and retain qualified staff

Incremental Changes

FY 1

FY 2

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No measures submitted for package

Reason for change:

Program(s): 060

This is a technical correction for funding of the 2001-03 Lease Costs and Centennial Building Lease Savings budget steps.

Program(s): 110

The department's lease costs are fixed amounts and contractually obligated. To meet these obligations, the necessary funds must be restored to the budget.

Impact on clients and services:

Program(s): 060

If the funding is not restored to required funding ratios, a reduction in administrative services expenditures would be required. Staff would be reduced and services to the public would be impaired. As leases expire over time, facility closures would be necessary to meet the budget for these expenditures.

Program(s): 110

These funds will ensure the delivery of essential support services to the department. If the funds are not restored, the three divisions will have to reallocate their existing budget allotments to make up for the shortfall. This would likely result in staffing or program reductions, which in turn would result in reductions of such critical services as financial recovery, agency accounting services, employee/payroll operations, language interpreter services, and other critical administrative functions.

Impact on other state programs:

Program(s): 060

None

Program(s): 110

The reduction of agency support service could impact all DSHS programs. For example, staff reductions in the Human Resources Division could jeopardize timely payroll processing and lengthen personnel activities such as recruitment, hiring, and other personnel actions. Also, reductions in the Finance Division will jeopardize revenue collections. Further, the existing backlog of hearing appeals would be increased.

Relationship to capital budget:

Program(s): 060 110

None

Required changes to existing RCW, WAC, contract, or plan:

Program(s): 060 110

None

Alternatives explored by agency:

Program(s): 060

The GF-S matching funds for the Food Stamp and Medicaid programs are required. There are no other state funds in ESA to make up for the incorrect funding split of the Lease Costs and Centennial Building Lease Savings budget steps.

Program(s): 110

The Blake Office Park leases were secured in 1999. The annual square foot rate obligated (until the lease expires in 2009) is \$1 per square foot less than current market rate and will continue to prove economical during the term of the lease. Moving from the building is not an option since the market rates are now higher and this action would not rescind the state's contractual obligation. Additionally, if modest lease savings were to be found, the expenses associated with moving could negate any savings.

Since the department and these divisions have no other alternative or less expensive office space to house staff, our lease of the Blake Office Park represents sound business practice and the least expensive alternative. The department takes

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seriously its commitment to utilize its office spaces in the most efficient and cost effective manner.

Budget impacts in future biennia:

Program(s): 060

The additional GF-S funds will continue into future biennia.

Program(s): 110

Since the beginning of the renovation project in OB2, several areas of the building have been closed for construction, requiring office shifts within the building. Relocation of other project staff and legislatively mandated increases to programs and their staff have resulted in restoration of pre-construction staff occupancy levels within OB2. As a result, department staff numbers located in the Blake Office Park are now unable to return to OB2. This means that the lease costs associated with the Blake Office Park will extend throughout the next two or more biennia. Full funding for these leases will be essential.

Distinction between one-time and ongoing costs:

Program(s): 060 110

These costs are ongoing.

Effects of non-funding:

Program(s): 060

If the funding is not restored to the correct funding ratios, a reduction in administrative services' expenditures would be required. Staff would be reduced and services to the public would be impaired. As leases expire over time, facility closures may be necessary to meet the budget for these expenditures.

Program(s): 110

Without these funds, the divisions located in the Blake Office Park could be forced to reduce funding in other budgetary areas that would directly impact the agency's support service delivery. These budgetary shifts could result in reduction of such critical services as financial recovery, agency accounting services, employee/payroll operations, hearing of client appeals, language interpreter services, and other critical administrative functions.

As a specific example of this, the DSHS Finance Division would implement a 30 day hiring freeze on all vacant positions within the division. The Finance Division would continue to operate and provide only those main financial service functions and reporting. Leaving positions vacant is not sustainable for the long-term as this could create delays in all areas of the Finance Division and impede established business targets, directly impacting several Information Technology initiatives and federal draws for DSHS. The potential for revenue loss is great because essential business functions will take precedence over other necessary business functions. The following is a list of processes that could be delayed, or not be completed, due to holding positions vacant:

- Delays in collecting overpayments and other receivables
- Unable to perform prior years grant reconciliation of state records to federal records
- Unable to perform clearing of accounting suspense accounts in a timely fashion
- Unable to conduct cash clearance pattern analysis
- Unable to proceed with various Tax Projects in a timely manner to prevent future interest and penalty charges
- Delays to the Ticket to Work Medicaid Buy In Project
- Delays to the Temporary Assistance to Needy Families Transition (TMA) project
- Delays to the Health Insurance Portability and Accountability Act compliance

Another example is in the area of client appeals of decisions made in the hearings process. The existing backlog of hearings appeals could increase and the time required to clear the backlog could increase. This will leave clients in a state of uncertainty for longer periods. Beyond that, labor relations issues could be expected as a result of this situation.

Expenditure Calculations and Assumptions:

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Program(s): 060

See attachment - ESA M2-11 Lease Costs.xls

Program(s): 110

See attachment - ASSD M2-11 Lease Costs.xls

Object Detail

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
E Goods And Services	270,000	290,000	560,000

DSHS Source Code Detail

Overall Funding		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	483,000	671,000	1,154,000
Total for Fund 001-1		483,000	671,000	1,154,000
Fund 001-2, General Fund - Basic Account-Federal				
<u>Sources</u>	<u>Title</u>			
001B	Social Security Disability Ins (100%)	3,000	3,000	6,000
E61L	Food Stamp Program (50%)	89,000	154,000	243,000
Total for Fund 001-2		92,000	157,000	249,000
Fund 001-A, General Fund - Basic Account-DSHS Fam Support/Chi				
<u>Sources</u>	<u>Title</u>			
563I	Title IV-D Child Support Enforcement (A) (66%)	(31,000)	(152,000)	(183,000)
658L	Title IV-E-Foster Care (50%)	2,000	2,000	4,000
Total for Fund 001-A		(29,000)	(150,000)	(179,000)
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa				
<u>Sources</u>	<u>Title</u>			
19UL	Title XIX Admin (50%)	73,000	110,000	183,000
Total for Fund 001-C		73,000	110,000	183,000
Fund 001-D, General Fund - Basic Account-TANF (DSHS)				
<u>Sources</u>	<u>Title</u>			
558B	Temp Assist for Needy Families (TANF) (100%)	(349,000)	(498,000)	(847,000)
Total for Fund 001-D		(349,000)	(498,000)	(847,000)
Total Overall Funding		270,000	290,000	560,000

Funding Totals by Program

Dollars in Thousands

<u>Program</u>	<u>FTE's</u>		<u>GF-State</u>		<u>Total Funds</u>	
	<u>FY 1</u>	<u>FY 2</u>	<u>FY 1</u>	<u>FY 2</u>	<u>FY 1</u>	<u>FY 2</u>
060 Economic Services Admin	0.0	0.0	295	467	0	0
110 Admin & Supporting Svcs	0.0	0.0	188	204	270	290
Grand Total:	0.0	0.0	483	671	270	290

Supplemental 2002 M2-11 Lease Costs

SUMMARY OF LEASES TECHNICAL ADJUSTMENT

	11 - Leases	1H - Centennial	Total
FY 02			
State	295,000		295,000
563I - Title IV-D	(42,000)		(42,000)
19UL - Title 19	25,000		25,000
558B - TANF	(349,000)		(349,000)
E61L - FS 50%	71,000		71,000
TOTAL	-	-	-
FY 03			
State	387,000	80,000	467,000
563I - Title IV-D	(41,000)	(123,000)	(164,000)
19UL - Title 19	37,000	23,000	60,000
558B - TANF	(479,000)	(19,000)	(498,000)
E61L - FS 50%	96,000	39,000	135,000
TOTAL	-	-	-

Supplemental 2002

M2-11 Lease Costs

DISTRIBUTION OF LEASES FUNDING

FY 2002	B40-4000	B70-4000	B80-4000	B90-4000	E40-6000	M01-9000	TOTAL	FINAL 01-03 FUNDING	FY 02 SUPP REQ
New Lease Amount	6,179,943	567,630	705,817	283,515	518,751	20,480,175	28,735,831		
Base Amount	5,985,544	14,000	13,000	1,142,260	413,506	19,012,009	26,580,319		
INCREASE	194,399	553,630	692,817	(858,745)	105,245	1,468,166	2,155,512		
INCREASE	194,000	554,000	693,000	(859,000)	105,000	1,469,000	2,156,000		
State	66,000	188,000	236,000	(292,000)	37,000	870,000	1,105,000	810,000	295,000
563I - Title IV-D	128,000	366,000	457,000	(567,000)			384,000	426,000	(42,000)
19UL - Title 19					20,000	255,000	275,000	250,000	25,000
558B - TANF					27,000	97,000	124,000	473,000	(349,000)
E61L - FS 50%					21,000	247,000	268,000	197,000	71,000
TOTAL	194,000	554,000	693,000	(859,000)	105,000	1,469,000	2,156,000	2,156,000	-
FY 2003	B40	B70	B80	B90	E40	M01-9000	TOTAL		
New Lease Amount	6,393,006	567,630	705,817	283,815	458,971	21,018,550	29,427,789		
Base Amount	5,985,544	14,000	13,000	1,142,260	413,506	19,012,009	26,580,319		
INCREASE	407,462	553,630	692,817	(858,445)	45,465	2,006,541	2,847,470		
INCREASE	408,000	554,000	693,000	(857,000)	45,000	2,005,000	2,848,000		
State	139,000	188,000	236,000	(292,000)	16,000	1,170,000	1,457,000	1,070,000	387,000
563I - Title IV-D	269,000	366,000	457,000	(565,000)			527,000	568,000	(41,000)
19UL - Title 19					9,000	357,000	366,000	329,000	37,000
558B - TANF					11,000	132,000	143,000	622,000	(479,000)
E61L - FS 50%					9,000	346,000	355,000	259,000	96,000
TOTAL	408,000	554,000	693,000	(857,000)	45,000	2,005,000	2,848,000	2,848,000	-

Supplemental 2002 M2-11 Lease Costs

Centennial Lease Savings PL-1H

FY 03	Correct Funding Split	Final 01-03 Budget	FY 02 Supp Request
TOTAL SAVINGS	(422,000)	(422,000)	-
State	(135,000)	(215,000)	80,000
Federal Title IV-D	(137,000)	(14,000)	(123,000)
Food Stamps	(24,000)	(63,000)	39,000
Title 19	(35,000)	(58,000)	23,000
TANF	(91,000)	(72,000)	(19,000)

**Supplemental 2002
M2-11 Lease Costs**

Blake Office Park Lease

<u>Program</u>	SFY02 Lease Model	SFY03 Lease Model	SFY02 Leg Allocation	SFY03 Leg Allocation	SFY02 Supl ML2 11	SFY03 Supl ML2 11
Administrative Services Division	486,205	486,205	426,805	422,405	59,400	63,800
Human Resources Division	486,205	486,205	410,605	405,005	75,600	81,200
Finance Division	964,835	964,835	829,835	819,835	135,000	145,000
TOTAL	1,937,245	1,937,245	1,667,245	1,647,245	270,000	290,000

State of Washington
Department of Social and Health Services
Budget Unit Summary for DP: M2-11-Lease Costs
Version: 22 - 2001-03 1st Sup Agency Request

Dollars in Thousands		FTES		Fiscal Year 1			Fiscal Year 2			Total Biennium		
		FY 1	FY 2	Annual Average	General		General		General		General	
Sprg	Budget Unit				Fund State	Other Funds	Fund State	Other Funds	Fund State	Other Funds	Fund State	Other Funds
Program 060 - Economic Services Admin												
4000	B40 Supp Enforc Field Operatin	0.0	0.0	0.0	20	(20)	0	(20)	0	40	(40)	0
4000	B70 Supp Enforc Centralized Operations	0.0	0.0	0.0	20	(20)	0	(20)	0	40	(40)	0
4000	B80 Supp Enforc Field Support	0.0	0.0	0.0	20	(20)	0	(133)	0	153	(153)	0
4000	B90 Supp Enforc Administration	0.0	0.0	0.0	(18)	18	0	(9)	0	(27)	27	0
6000	E40 ACES	0.0	0.0	0.0	(17)	17	0	0	0	(17)	17	0
9000	M01 Program Support	0.0	0.0	0.0	270	(270)	0	(303)	0	573	(573)	0
Total Proposed Budget for												
Program 060 - Economic Services Admin		0.0	0.0	0.0	295	(295)	0	(467)	0	762	(762)	0
Program 110 - Admin & Supporting Svcs												
5000	A50 Administrative Services Division	0.0	0.0	0.0	41	18	59	44	20	85	38	123
6000	A60 Employee Services Division	0.0	0.0	0.0	52	23	76	56	25	109	48	157
9000	A93 Finance Division	0.0	0.0	0.0	95	40	135	104	41	199	82	280
Total Proposed Budget for												
Program 110 - Admin & Supporting Svcs		0.0	0.0	0.0	188	82	270	204	86	392	168	560
Total Proposed Budget for DP: M2-11-Lease Costs												
DP: M2-11-Lease Costs		0.0	0.0	0.0	483	(213)	270	671	(381)	1,154	(594)	560